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SECTION: YOUR MONEY; Pg. 1; ZONE: C**LENGTH:** 1110 words**HEADLINE:** TRICKY BUSINESS;
THE MAGIC OF REBATE CARDS CAN QUICKLY DISAPPEAR**BYLINE:** By Edmund Sanders, Orange County Register.**BODY:**

A few years back, credit-card companies dreamed up a new device to coax cardholders to charge up their plastic: They began offering free airline miles, cash back, gasoline and other rewards to consumers who drove up their bills.

The gimmick worked. The rewards induced cardholders to charge nearly twice as much and twice as often as cardholders who weren't offered perks, even though the reward cards typically charged above-average interest rates and often levied annual fees.

But the industry isn't the only one reaping the rewards. More savvy credit-card consumers are earning hundreds of dollars a year in rebates, far more than credit-card companies anticipated.

These cardholders track their reward points like a stock portfolio, search for program loopholes to maximize their profits and turbocharge their monthly statement with imaginative new uses for their credit cards, from college tuitions to the monthly mortgage.

In short, these card sharks are beating credit-card companies at their own game.

There's Lance Wilcox, a Dana Point, Calif., loan officer who plays a shell game with his 3-year-old credit-card debt, bouncing the same \$39,000 from card to card every few months and earning new rebates with each hop. Last year he netted about \$1,600.

Or Julie and Steve Fonseca, the Anaheim, Calif., couple who magnify their monthly charging by letting friends use their credit cards. Last year, the FONSECAS earned nearly \$1,000 worth of airline tickets and phone-bill credits.

The Pisors of Newport Beach, Calif. prefer a simpler approach: Every expense goes on the card. If they can't charge it, they probably won't buy it. Such rigor enables the family of five to put about \$50,000 in day-to-day expenses on their cards annually, earning the Pisors two free airline tickets

a year. And like many card sharks, the couple avoids interest by paying off their debt religiously.

The successes have alarmed companies in the \$400 billion industry, and led several to rethink their programs, capping benefits and closing loopholes.

"What's happened is that consumers got too savvy too quickly," said Robert McKinley, president of RAM Research, a credit-card consulting firm. "They've figured all of this out. In some cases, programs have had to change the rules. A few have been driven out of business because of the losses."

For example, the GM MasterCard recently cut its maximum annual rebate for Gold Card holders from \$1,000 to \$500, and eliminated a partnership program that had enabled some cardholders to buy new cars for free.

Airline credit cards have gradually raised the bar for a free ticket from about \$20,000 in charges to the current norm of \$25,000.

Last fall, GE Rewards MasterCard attempted to weed out its card sharks by slapping a \$25 "maintenance fee" on customers who were avoiding interest by not carrying a balance.

"It's become increasingly expensive for issuers and their corporate partners," said Dan Page, president of National Affinity Cards, a marketing consultant in Colorado. "Companies are tightening their belts and not offering the freebies anymore to people who are not their best customers."

The industry retrenchment is making it harder for consumers to find good deals.

"The party's not over, but it's dying down," said Peter Flur, 32, a research engineer from Atlanta who launched a Web page last year to share tips about reward programs with other card sharks. He started the page out of frustration over GE's new fee and the lack of free information about credit-card reward programs. His Web site (www.ece.gatech.edu/users/flur/cards.html) gets about 1,000 hits a week, he said.

It's become a battle of brains, Flur said. Credit-card companies levy new rules and cardholders search for ways around them.

Great Western Bank, for example, recently started offering a generous 3 percent cash-back rebate. The catch? Users must carry a balance and pay finance charges.

How are some Great Western cardholders responding? They're revolving \$1 on their accounts each month.

"People get pretty creative with this stuff," Flur said. "They try a lot of gimmicks."

David Davidson of West Covina, Calif., did so much charging on his GM MasterCard over the past three years that he ran up against the card's \$3,500 maximum rebate. So he shifted his spending to a Ford Visa, where he racked up \$2,000 in rebates. Each month, he paid off the charges on both cards.

In April, he and his wife, Olivia cashed in their rebates to help buy two new cars.

"We saved about \$5,000," Davidson said. "It was definitely worth it."

But reward programs have been hugely profitable for credit-card companies, despite the successes of people such as Lance Wilcox, analysts say.

The industry makes its money on average consumers who don't usually charge enough to make the reward programs worthwhile and those who carry balances on their cards each month.

So, though credit-card companies are tweaking their programs, there is little danger that reward cards will disappear.

"The bottom line is that if the cards weren't making money, companies wouldn't still be issuing them," said Gerri Detweiler, author of "The Ultimate

Credit Handbook."

FOR MORE INFORMATION

Here's where you can find out more about rebate credit cards:

- Credit Card Goodies--This Web site

(www.ece.gatech.edu/users/flur/cards.html) focuses on cash-back reward programs, but includes links to many other major rewards programs.

- RAM Research--The leading credit-card consulting firm offers a free peek at a partial list of about 30 rebate programs on its Web site at www.ramresearch.com. For \$12, you can get a list of about 60 programs, including terms, phone numbers and income requirements. Contact CardTrak's Rebate Card Report, P.O. Box 1700 (College Estates), Frederick, Md. 21702.

- Bankcard Holders of America--This consumer group offers a booklet with summaries of about 45 rebate offers. The booklet costs \$5, but is free to members. Contact the group at 524 Branch Drive, Salem, Va. 24153 or call 540-389-5445.

- Bank Rate Monitor--The group offers a nifty search engine on its Web page (www.bankrate.com) that allows consumers to find cards suited to their needs. It's free to use, but you'll need to call the credit-card company for details about the program.

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